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PRIORITY (Security Classification)

FOREIGN SERVICE DESPATCH

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FROM : AMEMBASSY, GUATEMALA 702 DESP. NO.

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February 12, 1954 DATE

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For Dept. Use Only	ACTION	DEPT.	INFO	OTHER
	DC/I-10 RECD 2-20	DC/I-2 L/Wa-2 ARMY 3	45/2-8	AID Assistant to REP/LE-4 AIR-24

SUBJECT: Joint Weeka No. 6 from State, Army and Air Departments, from S.

OSD-2 ~~ARMY-3~~ AIR-24

Date of Action

Symbol

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SUMMARY

Guatemala this week announced that it would attend the Caracas Conference and that its delegation would be headed by Foreign Minister Guillermo TORIELLO who, as Ambassador to Washington and head of Guatemala's UN delegation, became adept at obscuring the issue of Communist penetration here by vociferous counter-charges that Guatemala was being persecuted and slandered by the United Fruit Company and other U.S. "monopolies" hurt by Guatemala's "economic reform" program.

Meanwhile, the country calmed down somewhat as the excitement surrounding the Government's January 29 denunciation of an "international plot" and its expulsion of the New York Times and NBC correspondents began to wear off. Toriello denied that the Guatemalan Government had accused any foreign government of complicity in the plot and readily received a new New York Times correspondent in an effort to prove that last week's expulsion of Sydney GRUSON did not mean a ban on foreign correspondents. Major CLEVA, the first person arrested in the police round-up before announcements of the uncovering of the "plot," was released from jail. Communist-controlled labor and mass organizations did stage an anti-American demonstration on February 5, but public interest in the "plot" waned as the week wore on.

A new controversy surged about a report that U.S. Senator Margaret Chase SMITH had proposed that the U.S. prohibit import of Guatemalan coffee. Pro-Administration forces protested this as new evidence of "intervention" and even the independent press branded the idea as a "monstrosity."

FOREIGN AFFAIRS

Guatemala to Attend Caracas Conference: The Foreign Ministry on February 12 announced that a Guatemalan delegation headed by Foreign Minister Toriello would be sent to the Caracas Conference but that diplomatic relations with Venezuela would be resumed. As

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Ambassador to Washington and concurrently head of the Guatemalan delegation to the United Nations in 1952-53, Toriello defended Guatemala from the charge of being under Communist influence by making loud but skillful counter-charges that his government was being subjected to a calculated campaign of vilification in the press and elsewhere by the United Fruit Company and other "monopolies" whose interests were affected by the Guatemalan reform program and that U.S. officials had joined in this "interventionist" campaign. He may be expected to follow this tactic at Caracas. The delegation supporting him is much the same as the Guatemalan delegation to the last session of the United Nations General Assembly.

Guatemala Denies Accusing U.S. of Complicity in Plot: The Foreign Ministry on February 6 issued a sharply worded press release taking exception to the Department of State's January 30 press release, which had denied U.S. complicity in the "international plot" recently denounced by President Arbenz' Information Office. The Foreign Ministry denied that Guatemala had accused any foreign government or officials of complicity, asserting that it had confined itself to reproducing "authentic" documents from Guatemalan exiles implicating those governments and officials. It labeled the Department's statement that the Guatemalan charges might be connected with the recent trips to Moscow of the Communist leaders Victor Manuel GUTIERREZ and José Manuel FORTUNY as an "insult" and termed the Department's language as improper to use between sovereign states. It stated categorically: "The Government of Guatemala again insists, for the Nth time, that it is not Communist."

This release was embodied in a note handed to Ambassador Peurifoy on February 8 by Foreign Minister Guillermo Toriello who also orally stressed that Guatemala was making no charges against the U.S.

Foreign Minister Gives Assurances on Foreign Correspondents: In his February 8 interview with the Ambassador, Foreign Minister Toriello stated that the expulsion of New York Times correspondent Sydney Gruson and Reuters and NBC correspondent Marshall BANNELL (Weeka 5) was not part of a Government policy designed to exclude foreign correspondents and gave assurances that correspondents would be welcomed so long as they did not insult "high personalities." As if to prove good faith, a 30-day visa was quickly given to Milton BRACKER, also of the Times, and the government broadcast the fact that he had been granted an appointment with the Foreign Minister.

DOMESTIC AFFAIRS

Anti-American Demonstration: Climaxing the Communist-controlled labor and mass organizations' agitation about the alleged "international conspiracy" denounced by the government on

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January 29 (Weeka 5), an orderly crowd of about 2,000 staged an "anti-intervention" demonstration before the National Palace and this Embassy on February 5. The demonstration had a marked anti-American character with the principal speaker, Ricardo RAMIREZ of the Communist-front students' organization, FUD, accusing the Department of State of backing the plot and demonstrators shouting, "Throw him out! Throw him out!" at the mention of Ambassador Peurifoy's name. President Arbenz did not come out to greet the demonstrators.

Meanwhile, the Communist party PGT sought to keep the anti-American theme alive in a report delivered by José Manuel Fortuny before 150 party leaders. He identified "North American imperialism" as being behind the plot and called for unity of Guatemala's "democratic" forces, saying that it was the new policy of imperialism and of this Embassy to isolate the Communists from the united front.

During the week, however, the pro-Administration forces' favored "anti-interventionist" campaign lost momentum quickly after the demonstration was over. The Administration newspapers continued to run messages supporting the Arbenz government from various labor and political organizations and exchanged parting editorial shots with the independent press. But news of the "plot" receded from the front pages and the public appeared to be losing interest.

"Conspirator" Released From Jail: On February 6, a local court released Major Carlos Trinidad Oliva, the first person known to have been arrested by the police round-up prior to the government's denunciation of an "international plot." The court held that no case had been presented to support the formal charge of illegal possession of munitions. His release, taken along with the fact that the authorities have expelled most of the rest of those arrested from the country, would appear to indicate that the government is not prepared, or not in a position, to take its charge of plotting into court.

ECONOMIC

Reaction to Senator Smith's Proposed Boycott Against Guatemalan Coffee: Government officials, labor and political groups, and independent newspapers this week reacted sharply to a press report that United States Senator Margaret Chase Smith had proposed that President Eisenhower prohibit importation of Guatemalan coffee into the U.S. in retaliation for the Communist domination of the Guatemalan Government and the increase in coffee prices. Raúl SIERRA Franco, Minister of Finance, told the press that the Senator's proposal would, if carried out, flagrantly violate United Nations resolutions in regard to free international trade and the Habana Charter, and that other

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signers of those treaties would retaliate against United States trade. A Ministry of Agriculture spokesman added that a U.S. boycott of Guatemalan coffee would have little effect on the Guatemalan economy because the 1953 crop has already been almost completely sold and that by next year other markets could be found.

In the political arena, the Communist-controlled national labor federation CGTG protested Senator Smith's proposal as "intervention" while the leftist PRG political party proposed a retaliatory boycott of U.S. products if the proposal were adopted. The pro-Government press added the Senator's proposals to the long list of actions by U.S. leaders that it views as "intervention."

Two independent newspapers also attacked the idea of a U.S. coffee boycott. Prensa Libre editorially labeled Senator Smith's proposal a "monstrosity" which would not be approved by the remainder of the U.S. Congress, but in the remote case that it were approved, it would be a clear case of economic aggression. This was as dangerous and serious as military aggression, and small countries should remain alert to denounce such action. El Espectador objected that a coffee boycott would not strike at the local Communists, but the whole Guatemalan people.

Communist Deputy Rejects Idea of Cooperation of Industry and Labor: The General Association of Guatemalan Industrialists (AGIG) which tries hard to appear "progressive" in public, this week received a rebuff from César MONTENEGRO Paniagua, the Communist Deputy, to its January 27 invitation to the Communist-controlled labor federation CGTG to engage in friendly patriotic cooperation in furthering Guatemala's industrial development. The AGIG had stated its belief that both organizations were inspired by revolutionary concepts and that their joint efforts could create conditions favorable to a high level of employment and production, and the official Diario de Centro América had applauded the AGIG's initiative, but on February 5 Montenegro Paniagua told the press that he could not conceive of a pact between the two organizations as there could be no "collaborationism" in the class struggle. He went on to say such traitorous attitudes were appropriate only for organizations such as the ICFTU and the ORIT; that he could not accept an increase in capital at the expense of labor, which he imagined was the basis on which the AGIG wished to carry on the conversations with the CGIG. However, continuing to insist that its ideas were practical and possible, Alfonso RODRIGUEZ, President of the AGIG,

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stated the following day that he did not consider Montenegro Paniagua's remarks as an official expression of the CGTG's views, and he therefore remained hopeful that the labor organization would soon forward a suitable reply to his proposal.

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